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COUNTY OF SUTTER
MANAGEMENT REPORT
FOR THE YEAR ENDED JUNE 30, 2009

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COUNTY OF SUTTER

Management Report
For the Year Ended June 30, 2009

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GALLINA_{LLP}

CERTIFIED PUBLIC ACCOUNTANTS

Sutter County Board of Supervisors
Yuba City, California

In planning and performing our audit of the basic financial statements of the County of Sutter (County) as of and for the year ended June 30, 2009, in accordance with auditing standards generally accepted in the United States of America, we considered the County's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. We reported on the County's significant deficiencies or material weaknesses in internal controls within the Schedule of Findings and Questioned Costs of the Single Audit report:

- FS01 – Debit Balance in Unearned Revenue

We previously reported on the County's internal control in our report dated March 30, 2010. A separate report dated March 30, 2010, contains our report on the significant deficiencies and material weaknesses in the County's internal control and identified above. This letter does not affect our report dated March 30, 2010, on the financial statements of the County of Sutter.

Sutter County Board of Supervisors
Yuba City, California

During our audit we also became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions concerning those matters.

This report is intended for the use of management, the Board of Supervisors, management and officials of the federal and state grantor agencies, and is not intended to be and should not be used by anyone other than these specified parties.

We thank the County's staff for its cooperation during our audit.

A handwritten signature in black ink that reads "Gallina LLP". The signature is written in a cursive, flowing style.

Roseville, California
March 30, 2010

COUNTY OF SUTTER

Management Report Required Communication For the Year Ended June 30, 2009

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Sutter (County) for the year ended June 30, 2009, and have issued our report thereon dated March 30, 2010. Professional standards require that we provide you with the following information related to our audit.

Our Responsibilities under U.S. Generally Accepted Auditing Standards and OMB Circular A-133

As stated in our engagement letter dated June 30, 2009, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement applicable to each of its major federal programs for the purpose of expressing an opinion on the County's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the County's compliance with those requirements.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter dated June 30, 2009.

COUNTY OF SUTTER

Management Report Required Communication For the Year Ended June 30, 2009

Qualitative Aspects of Accounting Practices

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the County are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2009. We noted no transactions entered into by the County during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the financial statements were:

- Liability for self-insurance claims: Management's estimate is derived from actuarial valuations obtained from experts. We agreed the claims liability reported in the financial statements to those reported in actuarial reports prepared and issued during the year being audited.
- OPEB liability: Management's estimate is derived from actuarial valuations obtained from experts. We agreed the claims liability reported in the financial statements to those reported in actuarial reports prepared and issued during the year being audited.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

COUNTY OF SUTTER

Management Report Required Communication For the Year Ended June 30, 2009

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

The following material misstatements detected as a result of audit procedures were corrected by management:

- Reduce unearned revenue and receivables incorrectly posted for subsequent fiscal year advances.
- Reclassify excess of expenditures incurred over advances from unearned revenue to receivables.
- Record missed additions to Construction in Progress.

Management passed on the following adjustments:

- Adjust accounts payable, community development expenditures, and public protection expenditures for work performed in the fiscal year 2008/2009 and not recorded by the County.
- Reduce receivables, intergovernmental and sales tax revenues for incorrect accrual of the subsequent fiscal year's revenue.
- Increase receivables and unavailable revenue for revenue earned in the fiscal year 2008/2009 but received after the availability period and not recorded by the County.
- Adjust total pooled cash to account for the fair value of the County's investments at June 30, 2009.
- Adjust retention payable to account for retention amount owed to outside contractors at June 30, 2009.
- Reverse July 2009 advances that were accrued in error.

Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole, with which we concur.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

COUNTY OF SUTTER

Management Report Required Communication For the Year Ended June 30, 2009

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 30, 2010.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the County's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

COUNTY OF SUTTER

Management Report Current Year Recommendations For the Year Ended June 30, 2009

POLICIES AND PROCEDURES

Criteria

Good internal control requires that procedures be documented and performed in a consistent manner in accordance with approved County policy.

Condition

We noted that the County does not have an updated written procedures guide for performing many of the current financial processes. Lack of organized written procedures has contributed to significant operating difficulties with the County.

Cause

The County does not have adequate written policies and procedures.

Effect of Condition

Without written procedures, tasks may not be performed in a consistent manner among employees and or departments which can result in significant operating difficulties.

Recommendation

We recommend that the County initiate a serious effort to develop and implement comprehensive policies and procedures for all current financial processes. This is a repeat of a prior year recommendation.

Management Response

Auditor-Controller's Office Response

The Auditor-Controller's Office has an ongoing program to update written policies and procedures. In 2008-09 these included:

- A-87 Cost Plan Procedure
- Capital Asset Procedure
- Encumbrance Procedure
- Journal Entry Procedure
- Year End Expenditures and Revenue Accruals Procedure
- Travel and Business Expense Accounting Form Procedure
- Claims Procedure
- SDI and Worker's Comp Payment Procedures
- Cash Handling Procedures

We will be looking at this as we continue to update our payroll and financial system.

COUNTY OF SUTTER

Management Report
Current Year Recommendations
For the Year Ended June 30, 2009

POLICIES AND PROCEDURES (continued)

Management Response (continued)

County Administrator's Office Response

The County agrees with the Independent Auditor's recommendations.

COUNTY OF SUTTER

Management Report Current Year Recommendations For the Year Ended June 30, 2009

CAPITALIZATION POLICY

Criteria

Generally accepted accounting principles require that capital assets, that generally constitute the single largest asset of the County, be accurately recorded.

Condition

At the time of our audit, we noted that the County did not have a formal capitalization policy that addressed infrastructure assets or estimated useful asset lives. In fiscal year 2006, the County issued a memorandum revising the estimated life of a road from 15 to 30 years. However, this information, along with the details of a complete infrastructure accounting system, has never been formalized into a comprehensive infrastructure capitalization policy.

Effect of Condition

Without a written capitalization policy which addresses infrastructure and estimated useful asset lives, inconsistencies and misunderstandings regarding proper policy are likely to occur. In addition, misstatement of net capital assets as well as a lack of comparability between years can result when policies and procedures regarding capital assets are unclear.

Recommendation

We recommend that the County adopt a comprehensive updated capitalization policy which includes all required capital asset accounting elements including infrastructure and estimated useful asset life. This project will likely involve the combined efforts of the Auditor-Controller, County Administrator Officer and Public Works departments. This is a repeat of a prior year recommendation.

Management Response

Auditor-Controller's Office Response

The Auditor-Controller, with the exception of infrastructure, has a detailed capitalization policy posted on the County website. In general, infrastructure is capitalized in accordance with the guidelines of the State Controller's *Accounting Standards and Procedures for Counties* and in consultation with Public Works engineers until such time as a more complete listing can be incorporated in the formal policy. Because of the infrequent construction of infrastructure this has been adequate for the County. We agree that a formalized policy should be developed with the collaboration of the County Administrative Officer and Public Works, and adopted by the Board of Supervisors.

COUNTY OF SUTTER

Management Report
Current Year Recommendations
For the Year Ended June 30, 2009

CAPITALIZATION POLICY (continued)

Management Response (continued)

County Administrator's Office Response

The County agrees with the Independent Auditor's recommendation.

COUNTY OF SUTTER

Management Report Current Year Recommendations For the Year Ended June 30, 2009

PERSONNEL BENEFITS TRUSTS

Criteria

Good internal control requires reconciliation of all trust funds.

Condition

We noted that the Personnel Benefits Revolving Trust fund (Fund 5226) had not been reconciled.

Effect of Condition

Without monthly trust account reconciliations of all payroll trusts, errors and irregularities could occur and not be detected in a timely manner.

Recommendation

We recommend that the unresolved differences be resolved and any inactive accounts be closed. This is a repeat of a prior year recommendation.

Management Response

Auditor-Controller's Office Response

This is a carry over recommendation from 2004-2005. This was discussed at length during the October 5, 2006 joint Board/Grand Jury Audit Committee presentation of the Management Comments by Marilee Smith, CPA. At that meeting CAO staff stated that "sometime during this year we (CAO) are going to begin the process of reconciling this account." To date this reconciliation has not been completed. Only the Personnel Department has the detailed information needed to reconcile Personnel Benefits Revolving Trust.

The Auditor-Controller's Office agrees with the recommendation.

County Administrator's Office Response

The County agrees with the Independent Auditor's recommendation.

The County Administrative Office contracted with an independent CPA firm, Tenney and Company, on May 1, 2008, to reconcile the Personnel Benefits Revolving Trust fund #5226. The CPA firm required assistance from the Auditor-Controller and Personnel Departments. The Auditor-Controller's Office stated that they did not have the staff to assist with the reconciliation. The Personnel Department attempted to provide assistance, but does not have a

COUNTY OF SUTTER

Management Report Current Year Recommendations For the Year Ended June 30, 2009

PERSONNEL BENEFITS TRUSTS (continued)

Management Response (continued)

County Administrator's Office Response (continued)

staff accountant and therefore lacks the technical expertise to provide the assistance necessary for the reconciliation. The CPA firm was able to complete only a partial reconciliation of Fund #5226 due to lack of assistance from the Auditor-Controller's Office.

Therefore, the reconciliation of this fund is still pending at the date of this writing.

We strongly recommend that the Auditor-Controller's Office assume the ongoing responsibility for the accounting function of Fund #5226, as Personnel staff do not have the appropriate training or expertise for such a task.

COUNTY OF SUTTER

Management Report Current Year Recommendations For the Year Ended June 30, 2009

MONITORING OF DEPARTMENTS

Criteria

According to the government code section 26883, "the Board (of Supervisors) shall have the power to require that the County Auditor-Controller shall audit the accounts and records of any department, office, board or institution under its control and of any district whose funds are kept in the County Treasury."

Condition

Although the Auditor-Controller's Office staff does a good job of training departmental personnel on how to accurately record transactions as well as the year-end closing procedures, the Auditor-Controller's Office does not conduct audits of departments.

Cause

Due to inadequate staffing levels, the Auditor-Controller's Office does not have the resources to devote to internal audits of departments.

Effect of Condition

By not performing internal audits of departments, the likelihood of a material misstatement due to error or fraud is heightened.

Recommendation

We recommend that the Auditor-Controller Office perform departmental audits on a regular basis. We feel that this would enhance the internal controls that the County already has in place to prevent and detect errors and fraud that are material to the financial statements. This is a repeat of a prior year recommendation.

Management Response

Auditor-Controller's Office Response

We agree that an internal auditor is necessary and agree that this is a material weakness.

In lieu of hiring an internal auditor in the Auditor-Controller's Office, the Board of Supervisors has expressed a preference for hiring an outside firm to conduct management audits.

COUNTY OF SUTTER

Management Report Current Year Recommendations For the Year Ended June 30, 2009

MONITORING OF DEPARTMENTS (continued)

Management Response (continued)

Auditor-Controller's Office Response (continued)

On November 24, 2009, the Board authorized the County Administrative Office to issue a Request for Proposal (RFP) for management/internal audit firms. The RFP solicited proposals to provide ongoing independent management audits of the 21 Sutter County departments (including divisions within departments). The management/internal audits would include a performance and policy compliance analysis, a staffing analysis, a workload analysis, and review of internal fiscal controls within the department.

On January 26, 2010, the Board of Supervisors authorized the formation of an Ad Hoc Committee to evaluate the proposals received. The Ad Hoc Committee consisted of Board Chairman Stanley Cleveland, Supervisor James Gallagher, Auditor-Controller Robert Stark, and Acting County Administrative Office Stephanie Larsen. Several proposals were received and reviewed. On March 30, 2010, the Board of Supervisors approved a contract with the firm of Sjoberg Evashenk Consuting, Inc., based on the unanimous recommendation of the Ad Hoc Committee.

Therefore, the recommendation has been implemented.

COUNTY OF SUTTER

Management Report Current Year Recommendations For the Year Ended June 30, 2009

CONSTRUCTION IN PROGRESS

Criteria

All expenditures incurred to construct a capital asset should be included in construction in process in the year in which the expenditure is incurred.

Condition

The County does not track construction in process costs as the work is being performed, rather accounts for construction in process at year-end. The information for this comes from Public Works in the form of reports out of the CAMS system. After providing the reports to the Auditor-Controller's office, adjustments were made to the CAMS system and the Auditor-Controller's office did not receive updated reports.

Cause

The County does not have procedures in place to require updated reports from CAMS be provided to the Auditor-Controller's office if adjustments are made.

Effect of Condition

During the audit, we found an adjustment for just over \$766k that was not recorded by the County.

Recommendation

We recommend that the Auditor-Controller's office and the Public Works department develop better lines of communication to ensure that any changes or adjustments to data by one office is communicated to the other.

Management Response

Auditor-Controller's Office Response

The Auditor-Controller's Office agrees that good communication is important.

Near the end of every fiscal year we send a memo addressed to "All County Staff with Accounting Duties" detailing closing procedures specific to Sutter County and also referencing where to find accounting authority and information such as the *State of California Accounting Standards and Procedures for Counties*. We will add specific information and guidance to the memo on construction in progress, and send a copy to the department heads.

COUNTY OF SUTTER

Management Report
Current Year Recommendations
For the Year Ended June 30, 2009

CONSTRUCTION IN PROGRESS

Management Response (continued)

County Administrator's Office Response (continued)

The County Administrative Office agrees with the Independent Auditor's recommendation.

COUNTY OF SUTTER

Management Report Current Year Recommendations For the Year Ended June 30, 2009

REPORTING OF RETENTION PAYABLE

Criteria

Retention liability needs to be recorded in the general ledger, as it represents a realized expense.

Condition

Currently, the County does not track or record retention liability on the general ledger.

Cause

County does not have a policy for recording retentions until they are paid out upon completion of a project.

Effect of Condition

By not recording retention payable, both liabilities and capital assets may be understated. The understatement on financial statements for the year ended June 30, 2009 was \$145,602, which is a proposed adjustment that was passed because it is not material.

Recommendation

The County should implement procedures that initiate the calculation and recording of retention payable.

Management Response

Auditor-Controller's Office Response

The Auditor-Controller's Office agrees that contract retention liability should be recorded in the general ledger. This is tracked in the Public Works department by the engineers in charge of each project. We will add instructions to the year-end closing memo that we send to "All County Staff with Accounting Duties" requesting that the departmental accountant compile this information for all contracts and submit it to our office for inclusion in the financial statements.

County Administrator's Office Response

The County Administrative Office agrees with the Independent Auditor's recommendation.

COUNTY OF SUTTER

Management Report Current Year Recommendations For the Year Ended June 30, 2009

USE OF MISCELLANEOUS REVENUE ACCOUNTS

Criteria

The miscellaneous revenue account should be used to record revenues that fall outside of the other revenue categories, such as intergovernmental revenues and charges for services, and that are considered to be infrequent in nature.

Condition

We noted that the County's use of the miscellaneous revenue account includes various types of revenue, including intergovernmental revenues and revenue generated from charges for services.

Cause

Departments have initial responsibility for classifying cash receipts for financial reporting and may not have adequate knowledge or guidance to properly classify certain revenues. In the absence of other guidance, departments likely record revenues they are unsure of in the miscellaneous revenue account.

Effect of Condition

When revenues are improperly classified as miscellaneous revenues the true condition of the fund may be misleading. The level of detail for classifying transactions should be sufficiently categorized so as to be meaningful to management in making decisions.

Recommendation

We recommend that the County consider restricting the use of its miscellaneous revenue account for revenue sources that cannot be categorized under the existing revenue types, including charges for services, fines, intergovernmental revenues, and licenses and permits.

Management Response

Auditor-Controller's Office Response

The cause of this problem is departmental accountants are not following the *State of California Accounting Standards and Procedures for Counties*.

During our routine year-end closing meetings all departments were informed of the guidelines provided in the *State of California Accounting Standards and Procedures for Counties* in identifying miscellaneous revenue. Additionally the Auditor-Controller's accounts receivable accountant has been instructed to audit deposit permits for proper classification of revenue.

COUNTY OF SUTTER

Management Report Current Year Recommendations For the Year Ended June 30, 2009

USE OF MISCELLANEOUS REVENUE ACCOUNTS (continued)

Management Response (continued)

Auditor-Controller's Office Response (continued)

When classification errors are discovered the departmental clerks, secretaries, analysts, managers, etc. are notified and additional training is provided.

County Administrator's Office Response

The County Administrative Office agrees with the Independent Auditor's recommendation.

COUNTY OF SUTTER

Management Report Current Year Recommendations For the Year Ended June 30, 2009

ACCOUNTS PAYABLE CUTOFF

Criteria

During its year-end closing process, the County should establish and enforce policies and procedures to ensure that year-end accruals are properly identified and recorded for all account balances, including expenditures and payables.

Condition

During the audit, we noted expenditures in the Bi-County Mental Health Fund and the Economic Development Fund that were incurred during the fiscal year ended June 30, 2009 but not accrued at year-end.

Cause

One reason that the County did not accrue these expenditures is because the invoice from the contractor was received in August after the County closed its general ledger in July.

Effect of Condition

By not properly accounting for expenditures in the fiscal year incurred, the County is understating its accounts payable and expenditures at the end of the year.

Recommendation

We recommend the County review each significant invoice that is processed for payment subsequent to year end to determine which period the expenditure was incurred. For those expenditures that the County identified should be accrued, prior to the closing of the books, the County should continue to account for those expenditures as payables. For those expenditures that should be accrued and are identified after the books are closed, we recommend the County maintain a schedule of these items from which a financial statement adjustment could be made. This was reported as a significant deficiency in the prior year single audit report.

Management Response

Auditor-Controller's Office Response

The Auditor-Controller's Office already has policies in place regarding year-end accruals. We have reviewed the two occurrences where accruals were not recorded. Invoices received in August will be accrued according to the current policy in the future.

COUNTY OF SUTTER

Management Report
Current Year Recommendations
For the Year Ended June 30, 2009

ACCOUNTS PAYABLE CUTOFF (continued)

County Administrator's Office Response (continued)

The County Administrative Office agrees with the Independent Auditor's recommendation.

COUNTY OF SUTTER

Status of Prior Year Management Comments For the Year Ended June 30, 2009

Recommendation	Status
<u>Policies and Procedures</u>	
We recommend that the County initiate a serious effort to develop and implement comprehensive policies and procedures for all current financial processes. This is a repeat of a prior year recommendation.	In process
<u>Capitalization Policy</u>	
We recommend that the County adopt a comprehensive updated capitalization policy which includes all required capital asset accounting elements including infrastructure and estimated useful asset life. This is a repeat of a prior year recommendation.	In process
<u>Personnel Benefits Trusts</u>	
We recommend that the unresolved differences be resolved and any inactive accounts be closed. This is a repeat of a prior year recommendation.	In process
<u>Matching Revenues with Expenditures</u>	Partially Implemented
We recommend that the County record functional expenditures in the same fund that earns the revenue. Expenditures need to be budgeted in the appropriate funds. Budget accounts should conform with standards and procedures in the Gray Book - State Controller's Office Accounting Standards and Procedures for Counties (SCO guide).	
<u>Recording of Operating Transfers</u>	Implemented
We recommend the County record interfund services provided and used as revenues in seller funds and expenditures (or expenses) in purchaser funds. Additionally, we recommend that the County record interfund reimbursements as debits to expenditures in the fund that is being charged the expenditure and credits to expenditures in the fund that is being reimbursed for the charge.	
<u>Disaggregation of Receivables</u>	Implemented
We recommend the County modify its chart of accounts to include separate accounts for accounts receivable and amounts due from other governments. Year-end closing procedures should be modified to capture receivable balances into each of these accounts according to their nature.	

COUNTY OF SUTTER

Status of Prior Year Management Comments For the Year Ended June 30, 2009

Recommendation	Status
<u>Accounts Payable Cutoff</u>	In process

We recommend the County review each significant invoice that is processed for payment subsequent to year end to determine which period the expenditure was incurred. For those expenditures that the County identified should be accrued, prior to the closing of the books, the County should continue to account for those expenditures as payables. For those expenditures that should be accrued and are identified after the books are closed, we recommend the County maintain a schedule of these items from which a financial statement adjustment could be made.